

Foreign Recipients of U.S. Income, 1991

by Denise Bori

United States source income paid to "foreign persons" in 1991 totaled over \$70 billion, a net increase of 27 percent or \$15 billion over 1989.

However, the \$2 billion in U.S. tax withheld on this income was 6 percent less than that for 1989. This was because dividend payments, typically subject to high withholding rates, decreased by 21 percent, while all other income subject to withholding declined by 9 percent, and, in addition, income not subject to withholding at all increased by 44 percent to almost \$55 billion.

Most of the increase in total income for 1991 was due to payments made to persons in tax treaty countries, which are often either subject to reduced withholding rates or are exempt from withholding altogether. Even though interest, which was the principal source of income, increased by almost \$14 billion, this form of income is generally subject to reduced withholding or is tax-exempt.

Payments to Japanese persons increased by 51 percent during the 2-year period, to \$19.8 billion, making them the largest recipient group for 1991 U.S.-source income. Payments to United Kingdom recipients, the largest recipient group in 1989, remained stable, increasing by only 0.3 percent, to almost \$13.7 billion. Together, these two countries accounted for almost half of all the income paid to foreign recipients.

Background

U.S.-source income of nonresident alien individuals and other foreign persons is reported on Form 1042S, *Foreign Persons' U.S.-Source Income Subject to Withholding*. This income is taxed at a flat, statutory rate of 30 percent (or a lower tax treaty rate). The income covered by this article includes, but is not limited to, certain interest, dividends, compensation for personal services, rents and royalties, retirement payments, and capital gains. Income that is "effectively connected" with a U.S. trade or business (see "Income Effectively Connected with a U.S. Trade or Business" in the *Explanation of Selected Terms* section), including bank deposit interest, is not subject to withholding and is not reported on Form 1042S.

Even though income that is exempt from U.S. taxation under a tax treaty between the person's country of residence and the United States, or under a U.S. statutory exemption (such as portfolio interest), is also not subject to withholding, it is nevertheless reported on Form 1042S. Portfolio interest is any interest (including original issue discount) which is not derived in the ordinary course of a

trade or business. According to section 871(i) of the Internal Revenue Code, bank deposit interest (which is considered to be portfolio interest if such interest is not derived in the ordinary course of a trade or business within the United States) is exempt from withholding. The exemptions from U.S. tax vary under each treaty. (A foreign payee may claim an exemption or reduced tax rate by filing Form 1001, *Ownership, Exemption, or Reduced Rate Certificate*.)

U.S. individuals or businesses distributing U.S.-source income to foreign persons are required to withhold taxes on this income, or to appoint a withholding agent (normally a financial institution) to do so. The payer or designated agent is fully liable for all taxes owed by the recipient and reports the income paid to each foreign recipient on a Form 1042S. Without this withholding requirement there would be no way to enforce taxpayer compliance because foreign recipients are not required to file U.S. tax returns to report this income.

Data Highlights

Total U.S.-source income payments to foreign persons as reported on Form 1042S increased by \$15.1 billion to \$70.2 billion between 1989 and 1991 [1]. Interest (\$47.2 billion for 1991) accounted for \$13.9 billion of this increase. In addition to interest, total payments are comprised of dividends, capital gains, royalties, rents, pensions and annuities, scholarship or fellowship compensation, compensation for personal services, social security and railroad retirement payments, real estate distributions, and miscellaneous income. The last income category is used to report U.S.-source fixed or determinable annual income that is not reportable under any of the other income categories. Examples of such income are commissions, insurance proceeds, prizes, and racing purses. Miscellaneous income, as shown in the statistics, also includes income that taxpayers do not specifically classify as being one type or another.

Figure A depicts the percentages and Figure B shows the amounts of total income attributable to interest, dividends, and rents and royalties for 1987, 1989, and 1991. During this period there was a substantial increase in the amount of interest paid to foreigners (\$11.4 billion to \$47.2 billion), which raised the percentage of total income accounted for by interest from 50 percent to 67 percent.

The large increase in interest can be explained by many factors. The Deficit Reduction Act of 1984, which exempted most portfolio interest payments from withholding, enabled U.S. entities to compete more effectively for funds in international financial markets. Also, during the 1980's, the U.S. savings rate was one of the lowest in the

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Figure A

Selected Types of Income as Percentages of Total U.S.-Source Income, 1987-1991

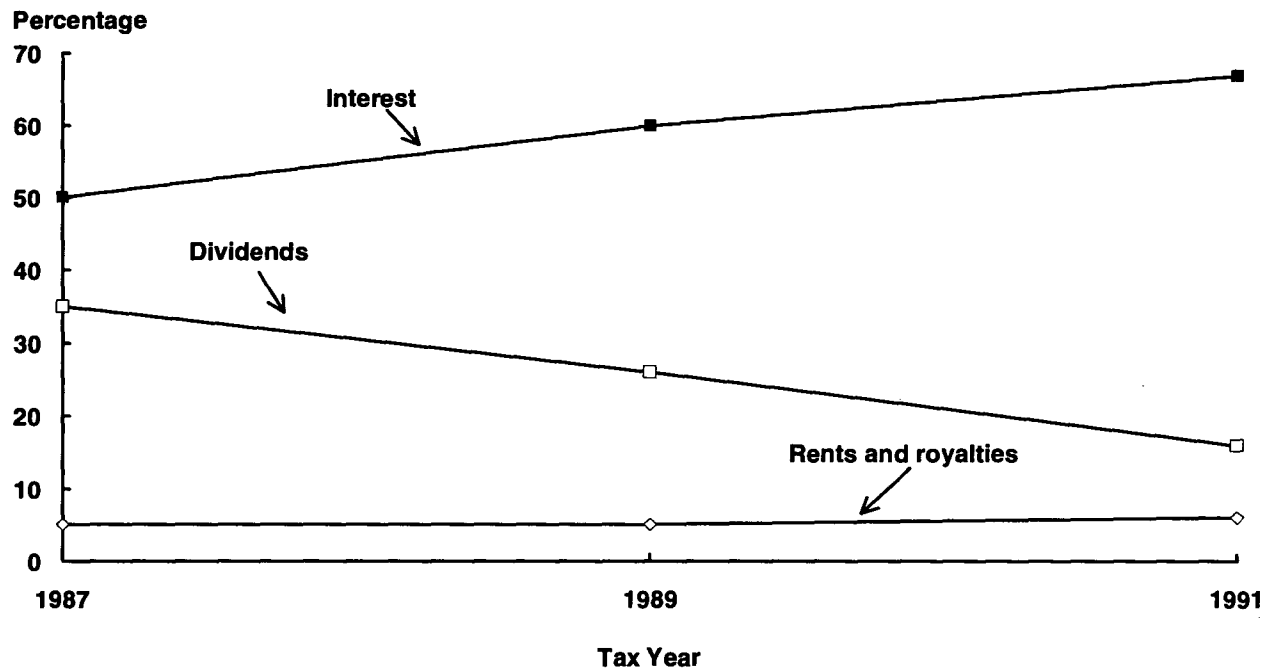
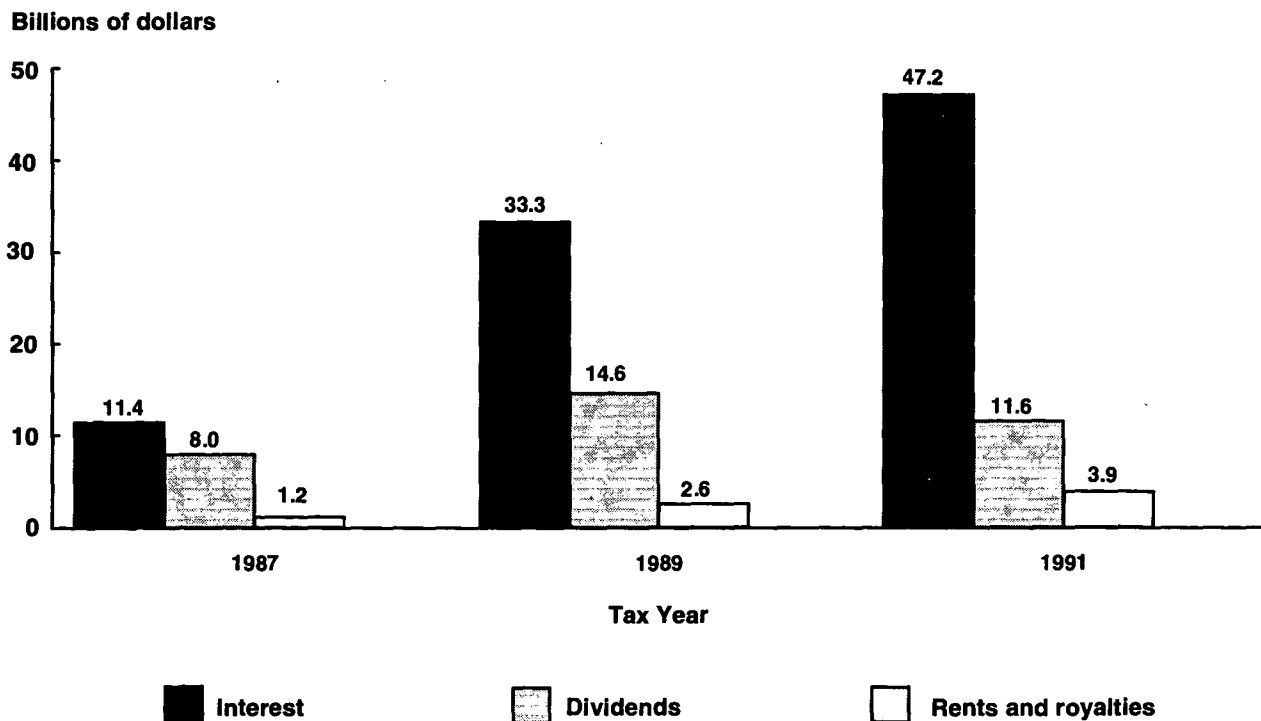


Figure B

U.S.-Source Income by Selected Income Type, 1987-1991



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industrialized world, about 3 percent of national income [2]. As a result of these two factors, domestic entities were forced to search abroad for investment funds, and as a result, there were large inflows of foreign capital to U.S. banks to meet the surge in credit demand. At the same time, because national savings rates were considerably higher in other countries, foreign countries were able to respond to the U.S. demand for investment funds. Moreover, the demand for investment funds by U.S. entities exerted upward pressure on interest rates, making investment in the United States more attractive [3]. Foreign holdings of U.S. Treasury bonds and other bonds, alone, increased to record levels in the late 1980's [4]. For example, it is estimated that up to one-third of new issues of Treasury securities in 1988, were purchased by foreign persons [5]. On the other hand, dividends paid increased between 1987 and 1989 and then decreased slightly between 1989 and 1991, while the percentage of total income attributable to dividends decreased steadily. Rents and royalties, both as an amount of income paid and as a percentage of total income, steadily increased over the 1987-1991 period.

For 1991, the total number of Forms 1042S fell 6 percent to 1,209,120. The average payment increased to \$58,039, up 36 percent from 1989. The average U.S. tax withheld (not including tax withheld by foreign governments and withholding agents) rose less than 1 percent to \$1,534. For 1991, the average or effective withholding rate (tax withheld as a percentage of total U.S.-source income) was less than 3 percent. However, the effective withholding rate on the \$15.5 billion of income subject to withholding tax was 12 percent, substantially less than the 30 percent statutory rate. Reasons for this are discussed in the Taxes Withheld section.

Tax Treaties

The United States participates in tax treaties with 40 of its principal trading partners (Table 1). It should be noted that during 1991 the United States exchanged instruments of ratification for new income tax treaties with Finland, Germany, India, Indonesia, Spain, and Tunisia [6]. Of these six countries, India, Indonesia, Spain, and Tunisia did not previously have treaties with the United States. Thus, in the statistics for previous years they are included in the nontreaty country total; in the 1991 data they are included as treaty countries.

The main purpose of tax treaties is to avoid international double taxation. Tax treaties typically designate primary taxing authority to the source country (the country in which the income is earned), although this authority is frequently limited. The resident country of the recipient

is then granted the residual taxing authority. Tax treaties also generally involve reciprocal reductions in tax rates (or exemptions in some cases) between the participating countries.

Most countries, including the United States, tax their residents on their worldwide income. Residents of these countries are typically allowed a credit against their "domestic" income tax for taxes paid to other countries. Certain countries, including a number in Latin America, tax only that income earned within their borders. Generally, persons in these countries are granted exemptions from domestic taxation for any foreign-source income.

Tax treaties reduce the U.S. tax liability for foreign persons earning U.S.-source income. This reduction in U.S. tax revenue is at least partially offset by the reduction in foreign tax credits of U.S. persons receiving income from, and paying taxes to, treaty countries. Fewer foreign tax credits serve to increase the revenue intake of the United States. Another effect of tax treaties is to increase revenue through improved compliance programs because of the tax information exchange that exists among treaty countries.

For 1991, persons in treaty countries received 84 percent of total U.S.-source income payments to foreign persons, while accounting for 80 percent of the total U.S. tax withheld on these payments. The nontreaty countries which received the largest amounts of U.S.-source income were Bermuda, Hong Kong, Mexico, and Singapore (Table 2). Figure C compares income, U.S. tax withheld, and effective U.S. tax rates for treaty and nontreaty country recipients for 1991.

Figure C

Total U.S.-Source Income, U.S. Tax Withheld, and Effective U.S. Tax Rates for Treaty and Nontreaty Countries, 1991

(Money amounts are in millions of dollars)

Treaty status	Total U.S.-source income	U.S. tax withheld ¹	Effective U.S. tax rate (col. 2 / col. 1) (percent)
	(1)	(2)	(3)
All countries.....	70,176	1,855	2.6
Treaty countries.....	61,559	1,500	2.4
Nontreaty countries.....	8,617	355	4.1

¹ Excludes small amounts of U.S. tax withheld by foreign governments and withholding agents.

Types of Income

For 1991, interest payments (excluding bank deposit interest) reported on Forms 1042S increased by 42 percent to \$47.2 billion, accounting for 67 percent of the total U.S.-source income paid to foreign persons. For 1989,

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interest comprised 60 percent of total U.S.-source income and amounted to approximately \$33.3 billion. Dividend payments, the second largest type of payment, decreased by 21 percent to \$11.6 billion. As a result dividends accounted for only 16 percent of total income for 1991, down from 26 percent for 1989. Miscellaneous income almost doubled, from \$2.3 billion in 1989 to \$4.3 billion in 1991. Compensation for personal services also doubled, to \$1.7 billion from \$0.8 billion. Rents and royalties increased by 50 percent to \$3.9 billion for 1991. Retirement payments increased 10 percent, totaling almost \$1 billion. These payments included social security and railroad retirement benefits. Figure D details 1991 income and tax information for the different types of income.

Figure D

U.S.-Source Income and U.S. Tax Withheld, by Type of Income, 1991

(Money amounts are in millions of dollars)

Income type	Total U.S.-source income	U.S. tax withheld ¹	Percentage of U.S. tax withheld	Effective U.S. tax rate (col. 2 / col. 1) (percent)
	(1)	(2)	(3)	(4)
All income types.....	70,176	1,855	100	2.6
Interest.....	47,231	331	18	0.7
Dividends.....	11,555	1,206	65	10.4
Rents and royalties.....	3,926	151	8	3.8
Social security and railroad retirement payments.....	983	85	4	8.6
Compensation for personal services.....	1,651	31	2	1.9
Capital gains.....	77	1	(²)	1.3
Pensions and annuities.....	138	7	(²)	5.1
Scholarships and fellowships.....	309	14	1	4.5
Real estate distributions..	47	14	1	29.8
Miscellaneous.....	4,258	15	1	0.4

¹Excludes small amounts of U.S. tax withheld by foreign governments and withholding agents.

²Less than 0.05 percent.

NOTE: Detail may not add to totals because of rounding.

Type of Recipient

Foreign corporations received 76 percent of the U.S.-source income paid in 1991, while accounting for 68 percent of the U.S. tax withheld. U.S.-source income paid to corporations totaled almost \$53.5 billion, an \$11.9 billion increase from 1989. Figure E presents percentages of total income and U.S. tax withheld by type of recipient.

In Figure E, tax withheld on corporations is low in comparison to the income earned by corporations (68 versus 76 percent of the totals for all recipients) because 78 percent of the income distributed to corporations was exempt from U.S. taxation, principally because of various tax treaties involving interest income, which made up 69

percent of the income distributed. Thus, only 1 percent of the income distributed to corporations was taxed at the maximum rate of 30 percent. In addition, "direct investment dividends" (i.e., those dividends paid on a parent company's return on investment in a subsidiary or other affiliate) were subject to a lower tax rate under some tax treaties than were portfolio dividends.

Individuals, in contrast to corporations, show a higher percentage of total taxes withheld relative to total income. Just 57 percent of the income distributed to individuals was exempt from U.S. taxation and 26 percent of this income was taxed at the maximum rate of 30 percent. Moreover, individuals received 43 percent of their income in the form of retirement benefits and dividends, two of the income types taxed at the highest effective rates, and not ordinarily covered by tax treaties.

Foreign governmental organizations received \$2,568.6 million in U.S.-source income during 1991, but less than \$0.5 million in taxes was withheld on this income. This was because income paid to these organizations was largely exempt from U.S. taxation. In 1989, the tax withheld was almost \$19.8 million on income of \$1,535.8 million. For 1991, most income received by these governmental organizations was in the form of interest (77 percent). Figures F and G show the countries whose governmental organizations received the most income and accounted for the most U.S. tax withheld, respectively.

Country of Recipient

For 1991, persons in nine countries received total payments of more than \$1 billion each. These countries represented 80 percent of the total U.S.-source income reported on Form 1042S and almost 73 percent of the total U.S. taxes withheld. Figure H ranks income and tax information for these countries according to the size of income totals.

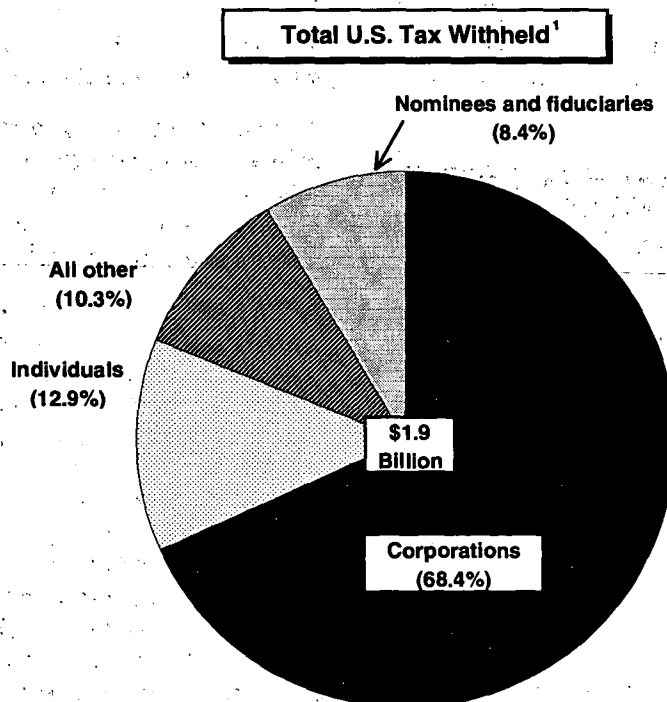
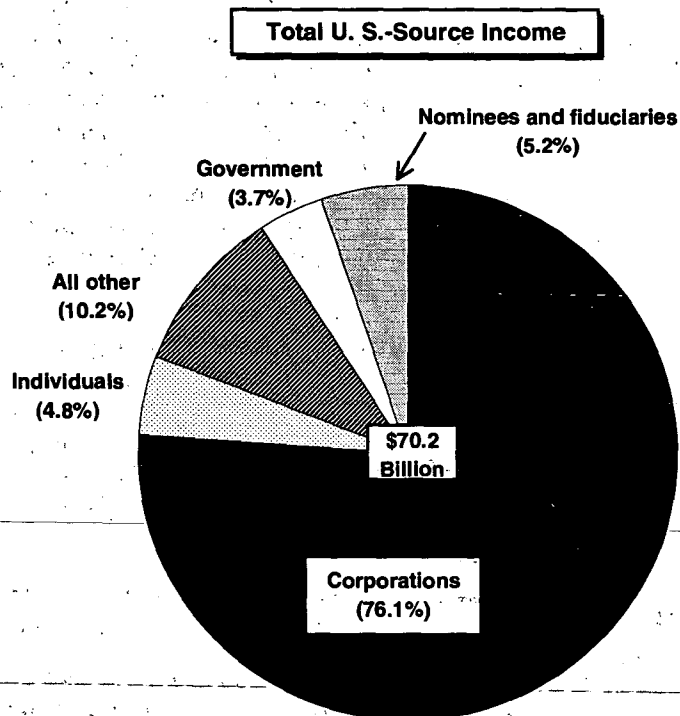
Persons in these nine countries had an aggregate effective U.S. tax rate of 2.4 percent. The effective U.S. tax rates of persons in these countries, however, varied between 0.8 percent and 3.8 percent. This variation can best be explained by differences in tax treaty provisions and differences in U.S. taxability of certain types of income.

For 1991, Japan received more U.S.-source income than any other country. Japan also received the most income during the 1987-1991 period (with the exception of 1989 when the United Kingdom received slightly more than Japan). Payments to Japanese residents increased by 51 percent from 1989 to a total of \$19.8 billion. Most of this income, \$13.6 billion, was interest paid to corporations, including banks. Japan accounted for more than 28 percent of the total income paid to foreign recipients. The 51-percent increase may be explained, in part, by the sharp

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Figure E

Total U.S.-Source Income and U.S. Tax Withheld, by Type of Recipient, 1991



¹Excludes small amounts of U.S. tax withheld by foreign governments and withholding agents.

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Figure F

U.S.-Source Income and U.S. Tax Withheld for Countries Whose Governments Received the Most U.S.-Source Income, 1991

(Money amounts are in thousands of dollars)

Selected country or geographic area	U.S.-source income received by foreign government organizations	U.S. tax withheld
All countries¹	2,568,607	448
United Kingdom.....	487,331	(²)
Singapore.....	358,033	--
Spain.....	346,733	2
Sweden.....	265,759	--
United Arab Emirates.....	263,085	--
Mexico.....	173,669	(²)
Kuwait.....	134,683	--

¹Includes countries not shown separately.

²Less than \$500.

Figure G

U.S.-Source Income and U.S. Tax Withheld for Countries Whose Governments had the Most U.S. Tax Withheld, 1991

(Money amounts are in thousands of dollars)

Selected country or geographic area	U.S.-source income received by foreign government organizations	U.S. tax withheld
All countries¹	2,568,607	448
British Virgin Islands.....	7,137	133
Cayman Islands.....	356	83
Germany.....	44,657	80
Saudi Arabia.....	50,855	56
Bahamas.....	3,272	29
Australia.....	34,529	27
Taiwan.....	2,249	12

¹Includes countries not shown separately.

Figure H

U.S.-Source Income and U.S. Tax Withheld for Countries Whose Residents Received the Most U.S.-Source Income, 1991

(Money amounts are in millions of dollars)

Selected country or geographic area	Total U.S.-source income	Percentage increase from 1989	U.S. tax withheld ¹	Effective U.S. tax rate (col. 3 / col. 1) (percent)
	(1)	(2)	(3)	(4)
All countries.....	70,176	27.5	1,855	2.6
Japan.....	19,843	51.4	474	2.4
United Kingdom.....	13,677	0.3	334	2.4
Canada.....	4,789	14.1	133	2.8
Netherlands.....	4,483	5.1	95	2.1
Switzerland.....	3,535	12.8	136	3.8
France.....	3,188	66.6	78	2.4
Netherlands Antilles.....	2,637	6.9	22	0.8
Germany.....	2,529	2.1	54	2.1
Belgium.....	1,314	50.3	22	1.7
Other countries.....	14,181	58.1	507	3.6

¹Excludes small amounts of U.S. tax withheld by foreign governments and withholding agents.

increase in Japanese investments in the United States in recent years, in the form of both securities and direct investment, especially the latter [7].

Although the United Kingdom experienced only a slight increase in U.S.-source income received from 1989 to 1991, the total was the second largest in 1991 in comparison to other foreign countries. In 1991, nearly \$13.7 billion in income was paid to recipients in the United Kingdom (\$10.3 billion was received by corporations), \$7.8 billion of which was interest. Figure I displays the percentage of income and taxes by income type for Japanese and United Kingdom recipients.

Taxes Withheld

For 1991, the U.S. tax withheld amounted to nearly \$1.9 billion on U.S.-source income of \$70.2 billion. This translates to an effective tax rate of 2.6 percent. The overall effective tax rate was much lower than the statutory U.S. withholding rate of 30 percent for a number of reasons, some of which have previously been mentioned:

- tax treaties allow for lower tax rates on certain types of payments made to residents of treaty countries;
- under a statutory exemption, U.S.- source income paid to foreign governmental organizations is generally not taxed (although it must still be reported on Form 1042S);
- most U.S.- source income paid to foreign private foundations is taxed at a 4 percent rate;
- the effective tax rate for social security and railroad retirement benefit payments is 15 percent, because only half of these payments is subject to the full 30 percent statutory withholding rate, while the other half is not subject to the withholding tax; and
- the Tax Reform Act of 1984 rescinded the withholding tax on most interest, especially portfolio interest. However, this interest income (except bank deposit interest that is effectively connected with a business) must still be reported on Forms 1042S.

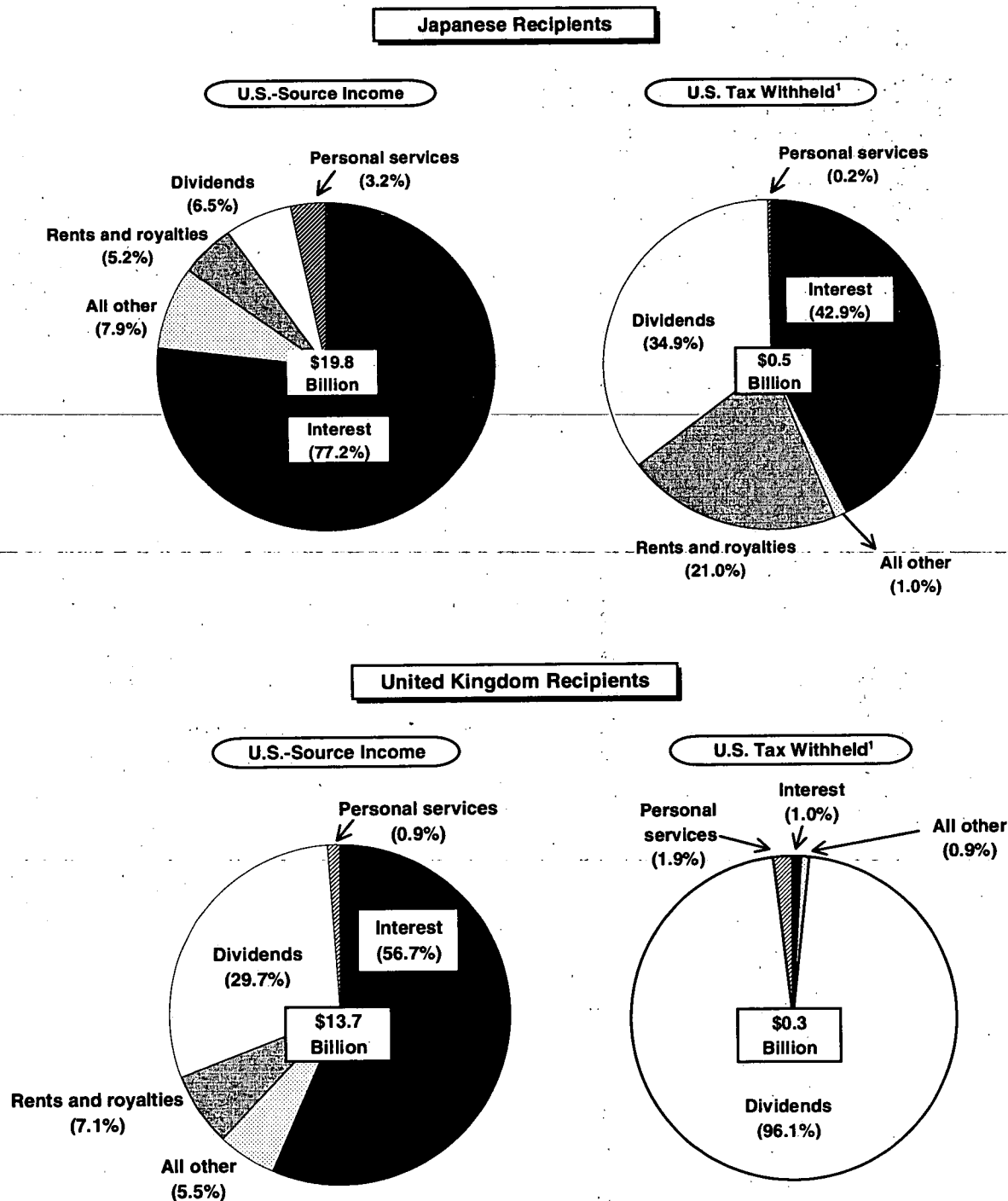
These factors result in considerable variation among countries (as well as among types of recipients and types of income paid) in terms of the effective U.S. withholding rate (tax withheld as a percentage of total income paid).

Seventy-eight percent (or \$54.7 billion) of the \$70.2 billion of total U.S.-source income reported on Form 1042S was exempt from taxation. Most of this was interest. Because of tax treaties, only \$1.9 billion of the \$15.5 billion of income subject to taxation was taxed at

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Figure I

Total U.S.-Source Income and U.S. Tax Withheld, Japanese and United Kingdom Recipients, by Income Type, 1991



¹Excludes small amounts of U.S. tax withheld by foreign governments and withholding agents.
NOTE: Detail may not add to totals because of rounding.

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the 30 percent statutory rate. This was just 2.8 percent of the total U.S. source income. Figure J shows the countries with the highest and lowest effective tax rates for 1991 (for countries with total U.S.-source income of \$10 million or more).

Sixty-eight percent of the total U.S. tax withheld on

Figure J

Countries With Total U.S.-Source Income of \$10 Million or More and With the Highest and Lowest Effective Tax Rates, 1991

(Money amounts are in thousands of dollars)

Selected country or geographic area	U.S.-source income	U.S. tax withheld ¹	Effective U.S. tax rate (col. 2 / col. 1) (percent)
	(1)	(2)	(3)
Highest effective tax rates			
South Africa.....	12,415	1,663	13.4
Liechtenstein.....	62,147	7,661	12.3
Philippines.....	89,656	11,010	12.3
Turks and Caicos Islands.....	10,977	1,348	12.3
Panama.....	304,140	35,426	11.6
Argentina.....	40,611	4,143	10.2
Brazil.....	30,515	2,884	9.5
Greece.....	73,743	6,483	8.8
Mexico.....	526,974	42,765	8.1
Jersey (Channel Islands).....	106,046	8,348	7.9
Lowest effective tax rates			
Nigeria.....	58,962	682	1.2
South Korea.....	184,063	1,543	0.8
Kuwait.....	268,553	2,227	0.8
Netherlands Antilles.....	2,636,663	21,710	0.8
China.....	137,642	913	0.7
Singapore.....	561,189	3,750	0.7
Finland.....	207,449	1,139	0.5
Puerto Rico.....	102,178	474	0.5
United Arab Emirates.....	406,951	571	0.1
Brunei.....	87,448	15	(²)

¹Excludes small amounts of U.S. tax withheld by foreign governments and withholding agents.

²Less than 0.05 percent.

foreign recipients was for income paid to corporations, compared to 13 percent for individuals and 8 percent for nominees and fiduciaries. About 64 percent of taxes withheld for corporations was for dividend payments. Of the \$1.3 billion in U.S. tax withheld on income paid to corporations, approximately half was accounted for by Japan (\$0.4 billion) and the United Kingdom (\$0.2 billion).

For 1991, about \$239 million in U.S. tax withheld was on income paid to foreign individuals. Recipients in Mexico, Canada, and Germany accounted for more U.S. taxes than persons in other countries. Taxes withheld on individuals in Mexico totaled \$35 million. Almost \$26 million of that amount was withheld on social security benefits, although only half of the amounts paid were

subject to withholding. Of the \$26 million in tax withheld on Canadian individuals, almost \$9 million was on dividends. Of the \$20 million withheld on German individuals, almost \$11 million was for dividends.

U.S. taxes withheld on foreign governmental organizations totaled almost \$450,000. The effective tax rates for these organizations was less than 0.05 percent, reflecting the fact that organizations of this type were generally exempt from tax under the Internal Revenue Code. Sixty percent of these taxes were withheld on dividend payments. Governmental organizations in the British Virgin Islands had the largest amount of U.S. tax withheld, \$133,000, mostly on interest payments. The effective tax rate for payments to governmental organizations in the British Virgin Islands was 1.85 percent. Ecuador, a nontreaty country, was the only country for which U.S. tax withheld on payments to governmental organizations was computed at the maximum 30 percent rate.

Summary

U.S.-source income paid to foreign recipients totaled nearly \$70.2 billion in 1991. U.S. tax withheld on this income amounted to nearly \$1.9 billion. Recipients in Japan and the United Kingdom accounted for almost 50 percent of U.S. income paid to foreign persons. Foreign corporations received more income (\$53.5 billion) and had more U.S. tax withheld (almost \$1.3 billion) than all other recipient types combined. Interest payments accounted for 67 percent of all income distributed, while tax on dividends accounted for 65 percent of the total U.S. tax withheld.

Data Sources and Limitations

Payers (or their authorized withholding agents) of most U.S.-source income to foreign persons must withhold tax in accordance with the Internal Revenue Code. Form 1042S, *Foreign Persons' U.S.-Source Income Subject to Withholding*, is filed by the payer to report this income and the U.S. tax withheld on it. Often a financial institution acts as the payer's withholding agent.

The statistics in this article were tabulated by calendar year, based on all Forms 1042S filed with the Internal Revenue Service in 1991. The data reflect the income that was paid and the U.S. tax that was withheld in 1991, except for U.S. tax withheld by foreign governmental organizations and their withholding agents. In a few countries, under treaty provisions, tax is withheld by foreign governmental organizations (or other authorized entities) for income paid to foreign nominees and fiduciaries if the ultimate recipient is unknown. The purpose of such tax withholding is to prevent persons in nontreaty countries from reaping treaty benefits by indirectly channeling their income through a treaty country. When the

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ultimate recipient is not entitled to the treaty benefits, the foreign governmental organization (or withholding agent) remits the tax withheld back to the United States. This additional tax, therefore, is not generally attributable to specific income years. For this reason, the statistics in Tables 1 and 2 do not include tax withheld by foreign governmental organizations and foreign withholding agents (except for Canada, which remits its tax payments during the same calendar year in which the U.S. income is paid and which is, therefore, treated as if it were a domestic withholding agent for purposes of these statistics). The taxes received during 1991 from foreign governmental organizations are shown in Figure K.

Figure K

U.S. Tax Withheld by Foreign Governments and Withholding Agents During 1991

[Money amounts are in thousands of dollars]

Country or geographic area	U.S. tax withheld by foreign governments and withholding agents
All countries, total.....	82,326
Treaty countries, total.....	82,326
Austria.....	220
Belgium.....	4,343
France.....	735
Luxembourg.....	4,648
Netherlands.....	851
Switzerland.....	69,558
United Kingdom.....	1,971
Nontreaty countries.....	-

Because all Forms 1042S are included in the statistics, the data are not subject to sampling error. However, the data are subject to nonsampling error, such as computer data entry errors and minor taxpayer reporting errors. A limited computerized program was used to test the data for certain basic numerical relationships, including the calculation of the correct tax withheld, but the possibility of error was not completely eliminated. In addition, Forms 1042S with income greater than \$2 million were manually verified.

Explanation of Selected Terms

Foreign Persons.— For purposes of this article, foreign persons include: (a) individuals whose residence is not within the United States and who are not U.S. citizens; and (b) corporations and other organizations (including partnerships, private foundations, estates, and trusts) created or organized outside the United States. Also, for purposes of this article, persons residing in Puerto Rico and U.S. possessions are considered foreign persons.

Income Effectively Connected with a U.S. Trade or Business.— Income that is “effectively connected” with a U.S. trade or business is exempt from the withholding tax requirements. This income is taxed at the ordinary graduated U.S. rates, in the same manner as any other income paid to U.S. citizens and residents. Foreign corporations (individuals) must report such income on a Form 1120F, U.S. Tax Return of a Foreign Corporation (Form 1040NR, U.S. Nonresident Alien Income Tax Return). Effectively connected income may be erroneously reported on Forms 1042S, but the extent of its inclusion in the statistics is believed to be insignificant although unknown.

Nominee and Fiduciary.— An entity chosen or appointed to accept income for the eventual recipient of the income. Typically, a financial institution acts as a nominee or fiduciary. A nominee differs from a fiduciary in that a nominee has little or no freedom to exercise judgment or control over income received.

Withholding Agent.— A withholding agent is any person or entity required to withhold taxes. Usually the withholding agent is the payer of the income or an entity (normally a financial institution) acting on behalf of the payer (see the Background section).

Notes and References

- [1] Statistics on foreign recipients of U.S. income are compiled yearly. Because of an error uncovered in the 1990 data published in the Spring 1993 issue of the *Statistics of Income Bulletin*, 1989 data are used for comparison purposes in this article. A revision of the 1990 data will be included in a subsequent issue of the *Bulletin*.
- [2] “Whatever happened to saving?” *The Economist*, February 3-9, 1990, p. 13.
- [3] Miller, Randy, “Foreign Recipients of U.S. Income, 1989,” *Statistics of Income Bulletin*, Spring 1992, Volume 11, Number 4.
- [4] Scholl, Russell B., “The Investment Position of the United States in 1989,” *Survey of Current Business*, U.S. Department of Commerce, Bureau of Economic Analysis, June 1990, p. 58.
- [5] Scholl, Russell B., “The Investment Position of the United States in 1988,” *Survey of Current Business*, U.S. Department of Commerce, Bureau of Economic Analysis, June 1989, p. 44.
- [6] U.S. Department of the Treasury, Internal Revenue Service, *U.S. Tax Treaties* (Revised November 1991), Publication 901.
- [7] Scholl, Russell B., op. cit.

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Table 1.—Forms 1042S: Number of Returns, Total U.S.-Source Income, and U.S. Tax Withheld, Tax Treaty Countries and Total Non-Tax Treaty Countries

(Money amounts are in thousands of dollars)

Country or geographic area	Number of Forms 1042S	U.S.-source income			U.S. tax withheld ¹
		Total	Exempt from U.S. tax withholding	Subject to U.S. tax withholding	
	(1)	(2)	(3)	(4)	(5)
Total.....	1,209,120	70,175,989	54,707,295	15,468,694	1,854,617
Treaty countries, total.....	879,289	61,559,111	47,517,742	14,041,369	1,499,574
Australia.....	16,780	830,000	541,624	288,376	22,026
Austria.....	6,285	233,946	209,793	24,153	3,716
Barbados.....	890	62,254	52,857	9,397	1,495
Belgium.....	11,001	1,314,487	1,146,357	168,130	22,195
Canada.....	314,523	4,789,064	3,814,077	974,987	133,214
China.....	16,442	137,642	127,797	9,845	913
Cyprus.....	1,065	9,875	8,425	1,450	192
Denmark.....	3,649	337,330	301,175	36,155	3,946
Egypt.....	2,273	15,731	13,368	2,363	326
Finland.....	1,844	207,449	194,316	13,133	1,139
France.....	22,885	3,188,708	2,411,202	777,506	77,824
Germany.....	103,323	2,528,641	2,141,629	387,012	54,499
Greece.....	16,248	73,743	33,929	39,814	6,483
Hungary.....	849	11,681	9,306	2,375	308
Iceland.....	227	656	275	381	45
India.....	5,800	35,402	20,936	14,466	2,166
Indonesia.....	2,019	14,433	11,566	2,867	433
Ireland.....	8,954	418,420	361,826	56,594	10,212
Italy.....	36,609	685,770	552,567	133,203	16,880
Jamaica.....	2,908	11,988	2,936	9,052	1,189
Japan.....	76,542	19,843,166	15,500,348	4,342,818	474,440
Luxembourg.....	3,187	851,852	705,359	146,493	36,481
Malta.....	733	2,931	2,269	662	105
Morocco.....	872	4,613	3,943	670	115
Netherlands.....	13,835	4,483,110	3,337,206	1,145,904	94,627
Netherlands Antilles.....	3,683	2,636,663	2,563,824	72,839	21,710
New Zealand.....	3,365	19,301	12,014	7,287	1,036
Norway.....	7,228	107,889	87,014	20,875	3,166
Pakistan.....	3,801	21,923	15,445	6,478	337
Philippines.....	24,531	89,656	17,433	72,223	11,010
Poland.....	3,445	21,074	8,270	12,804	1,815
Romania.....	273	1,652	1,452	200	49
South Korea.....	4,395	184,063	172,146	11,917	1,543
Spain.....	11,590	509,610	439,154	70,456	10,085
Sweden.....	8,486	633,941	517,009	116,932	13,777
Switzerland.....	24,850	3,535,322	2,094,060	1,441,262	135,546
Trinidad and Tobago.....	1,308	4,865	1,643	3,222	540
Tunisia.....	244	3,528	2,955	573	67
United Kingdom.....	109,877	13,677,374	10,062,802	3,614,572	333,563
USSR.....	2,470	19,358	17,435	1,923	361
Nontreaty countries, total.....	329,831	8,616,878	7,189,553	1,427,325	355,043

¹Excludes small amounts of U.S. tax withheld by foreign governments and withholding agents.

NOTE: Detail may not add to totals because of rounding.

Foreign Recipients of U.S. Income, 1991

Table 2.—Forms 1042S: Number of Returns, U.S. Tax Withheld, and U.S.-Source Income, by Principal Types of Income, Selected Recipient Types, and Country of Recipient

[Money amounts are in thousands of dollars]

Selected country or geographic area and selected recipient type	Number of Forms 1042S	U.S. tax withheld ¹	Total U.S.-source income	Principal types of U.S.-source income				
				Interest	Dividends	Rents and royalties	Social security and railroad retirement payments	Personal services income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All countries, total.....	1,209,120	1,854,617	70,175,989	47,230,787	11,555,120	3,926,292	983,970	1,651,273
Individuals.....	998,523	238,875	3,347,652	783,795	465,267	135,342	983,970	430,803
Corporations.....	88,162	1,268,570	53,498,656	36,886,627	8,254,258	3,590,510	-	1,141,825
Argentina.....	12,661	4,143	40,611	21,576	5,810	601	5,313	1,698
Individuals.....	10,164	2,859	30,277	15,183	4,176	149	5,313	1,012
Corporations.....	180	766	4,879	3,015	578	273	-	(²)
Australia.....	16,779	28,280	830,000	502,502	136,543	18,846,593	5,487	14,838
Individuals.....	13,785	3,048	23,530	1,334,367	5,049	2,460	5,487	3,367
Corporations.....	1,364	15,325	614,020	66,491,558	59,403	17,588,092	-	9,852
Austria.....	6,285	3,716	233,946	196,455	17,672	2,854	3,486	3,077
Individuals.....	3,451	1,183	11,956	1,111	1,971	140	3,486	1,790
Corporations.....	1,914	1,691	174,508	154,495	10,846	2,357	-	14
Bahamas.....	4,579	22,920	394,330	308,669	78,942	1,208	765	681
Individuals.....	1,889	2,234	20,555	12,488	5,272	2	765	306
Corporations.....	1,746	17,023	309,691	244,179	62,618	1,195	-	301
Bahrain.....	695	1,611	78,884	69,605	7,799	-	8	1,122
Individuals.....	510	91	1,146	779	301	-	8	-
Corporations.....	131	660	48,006	44,676	1,940	-	-	1,122
Barbados.....	890	1,495	62,254	52,214	6,343	22	1,598	3
Individuals.....	677	271	2,268	73	178	21	1,598	2
Corporations.....	124	1,134	30,009	22,340	5,997	-	-	-
Belgium.....	11,001	22,195	1,314,487	924,631	102,440	47,082	2,527	17,908
Individuals.....	9,035	2,191	22,588	5,244	4,373	1,395	2,527	3,898
Corporations.....	716	16,809	527,590	205,628	68,399	27,321	-	13,396
Bermuda.....	3,250	25,386	718,364	572,430	84,337	7,362	596	23,583
Individuals.....	1,307	854	10,720	7,196	1,492	402	596	606
Corporations.....	878	19,700	368,161	246,290	63,814	6,953	-	22,976
Brazil.....	6,707	2,884	30,515	16,133	3,517	914	3,668	2,262
Individuals.....	5,704	2,065	17,047	5,132	2,727	184	3,668	1,634
Corporations.....	239	550	4,620	3,201	429	453	-	249
British Virgin Islands.....	5,809	13,788	451,019	385,683	56,290	35	-	1,158
Individuals.....	690	633	9,878	6,329	2,184	25	-	1,158
Corporations.....	3,619	8,560	315,603	276,024	38,735	(²)	-	-
Canada.....	314,523	133,214	4,789,064	2,816,897	1,010,903	164,786	238,549	122,339
Individuals.....	276,216	26,145	477,194	29,830	58,987	21,092	238,549	55,181
Corporations.....	16,095	93,190	3,783,858	2,592,056	651,167	131,921	-	55,322
Cayman Islands.....	4,747	28,241	903,391	794,019	86,064	108,207	358	122,339
Individuals.....	797	1,463	18,503	12,963	4,692	348	358	11
Corporations.....	2,690	20,963	722,302	638,986	61,906	278	-	269
China.....	16,442	913	137,642	30,655	1,207	149	155	71,527
Individuals.....	15,727	816	101,896	696	730	113	155	69,762
Corporations.....	126	40	28,897	25,643	218	4	-	-
Denmark.....	3,649	3,946	337,330	267,711	18,121	21,076	3,697	4,660
Individuals.....	3,134	847	7,853	612	769	96	3,697	753
Corporations.....	265	2,138	210,417	160,786	11,108	17,027	-	3,754
Ecuador.....	3,119	2,341	17,754	5,006	5,163	42	4,603	141
Individuals.....	2,771	1,071	11,153	2,621	1,033	30	4,603	83
Corporations.....	102	1,204	5,579	1,580	3,982	-	-	-
Finland.....	1,844	1,139	207,449	171,057	10,326	1,681	2,109	5,268
Individuals.....	1,463	474	6,135	987	146	41	2,108	872
Corporations.....	221	582	138,216	119,079	9,696	1,497	-	4,077
France.....	22,592	77,824	3,188,129	1,724,284	558,596	274,733	13,868	163,382
Individuals.....	17,710	9,874	168,340	23,535	73,296	10,269	13,868	33,071
Corporations.....	2,488	52,376	2,645,406	1,482,316	375,911	253,680	-	127,953
Germany.....	103,323	54,499	2,528,641	1,632,574	341,575	368,748	40,905	-
Individuals.....	91,507	20,830	277,803	106,323	78,410	11,887	40,905	12,741
Corporations.....	3,642	25,828	1,924,910	1,267,642	215,081	343,042	-	8,257

Footnotes at end of table.

Foreign Recipients of U.S. Income, 1991

Table 2.--Forms 1042S: Number of Returns, U.S. Tax Withheld, and U.S.-Source Income, by Principal Types of Income, Selected Recipient Types, and Country of Recipient--Continued
 [Money amounts are in thousands of dollars]

Selected country or geographic area and selected recipient type	Number of Forms 1042S	U.S. tax withheld ¹	Total U.S.-source income	Principal types of U.S.-source income				
				Interest	Dividends	Rents and royalties	Social security and railroad retirement payments	Personal services income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gibraltar.....	197	424	33,611	23,876	1,369	1	13	(²)
Individuals.....	60	27	136	34	89	(²)	13	-
Corporations.....	74	142	32,025	23,216	422,098	-	-	-
Greece.....	16,248	6,483	73,743	18,856	3,997	101	33,911	2,045
Individuals.....	15,354	6,084	47,331	2,191	2,679	93	33,911	2,014
Corporations.....	162	124	23,230	14,482	416	(²)	-	(²)
Guernsey (Channel Islands).....	516	5,250	143,803	126,230	17,535	(²)	-	-
Individuals.....	72	134	3,861	3,598	260	-	-	-
Corporations.....	280	4,614	116,124	100,996	15,124	(²)	-	-
Hong Kong.....	18,757	24,282	692,292	497,367	49,288	2,024	4,043	19,895
Individuals.....	14,251	5,437	31,740	9,918	13,560	758	4,043	473
Corporations.....	2,037	12,298	488,896	338,442	13,822	1,251	-	18,817
India.....	5,800	2,166	35,402	5,739	1,385	261	773	10,100
Individuals.....	5,299	1,862	26,490	918	765	50	773	7,573
Corporations.....	64	202	6,422	3,063	474	205	-	2,264
Indonesia.....	2,019	433	14,433	8,112	1,217	9	48	1,911
Individuals.....	1,789	368	6,591	852	924	8	48	1,783
Corporations.....	58	16	6,926	6,768	46	-	-	65
Ireland.....	8,954	10,212	418,420	305,013	36,838	24,575	9,159	22,565
Individuals.....	8,084	1,879	32,227	795	1,910	1,063	9,159	17,342
Corporations.....	355	4,160	260,119	203,460	11,791	22,997	-	4,658
Israel.....	8,045	3,984	62,360	35,148	5,002	612	4,187	11,534
Individuals.....	6,508	2,751	25,515	4,364	2,139	333	4,187	8,987
Corporations.....	265	639	27,973	24,405	1,291	75	-	1,985
Italy.....	36,609	16,880	685,770	425,553	57,082	41,346	97,274	15,410
Individuals.....	34,498	2,751	131,331	3,943	4,739	1,125	97,274	8,297
Corporations.....	1,056	12,072	479,223	363,195	42,328	35,986	-	4,743
Japan.....	76,542	474,440	19,843,166	15,316,342	1,288,514	1,032,935	12,621	631,502
Individuals.....	44,889	5,732	177,960	50,066	8,394	15,111	12,621	66,474
Corporations.....	8,773	424,055	17,371,174	13,604,748	1,023,991	989,104	-	563,026
Jersey (Channel Islands).....	803	8,348	106,046	79,848	24,524	162,925	6	(²)
Individuals.....	112	85	675	356	192	38	6	(²)
Corporations.....	352	5,198	74,896	60,669	13,158	7	-	-
Kuwait.....	1,480	2,227	268,553	206,345	56,961	12	-	5,063
Individuals.....	1,049	446	4,168	2,478	772	12	-	835
Corporations.....	188	1,354	75,765	64,006	7,456	(²)	-	4,228
Liberia.....	1,268	12,468	171,579	126,042	40,340	327	24	(²)
Individuals.....	358	499	3,504	1,597	1,279	-	24	-
Corporations.....	636	2,759	74,733	63,565	9,179	327	-	-
Liechtenstein.....	1,605	7,661	62,147	36,677	19,998	3,391	9	1,039
Individuals.....	324	816	8,775	5,781	2,910	2	9	7
Corporations.....	744	4,272	27,550	14,387	8,421	3,362	-	588
Luxembourg.....	3,187	36,481	851,852	701,762	147,145	15	175	1,160
Individuals.....	730	401	4,644	1,814	1,608	6	175	702
Corporations.....	1,113	21,684	545,810	458,707	85,698	9	-	448
Malaysia.....	2,616	404	23,492	21,115	1,271	27	20	172
Individuals.....	2,390	259	1,705	95	538	22	20	157
Corporations.....	69	8,156	13,915	13,634	279	2	-	-
Mexico.....	83,742	42,765	526,974	283,902	17,867	12,648	178,826	12,674
Individuals.....	79,182	35,064	271,372	54,352	8,777	3,972	178,825	6,467
Corporations.....	1,026	4,376	48,172	32,280	7,207	4,978	-	1,997
Netherlands.....	13,835	94,627	4,483,110	3,095,963	1,052,268	263,856	6,318	10,035
Individuals.....	9,644	4,062	36,111	3,919	11,521	1,686	6,318	7,894
Corporations.....	2,013	65,837	3,944,716	2,815,211	838,604	252,274	-	1,176
Netherlands Antilles.....	3,683	21,710	2,636,663	2,357,878	77,626	176,151	477	8,835
Individuals.....	1,454	2,139	11,269	3,471	6,806	19	477	139
Corporations.....	1,346	14,597	2,396,531	2,144,571	53,232	175,776	-	8,623
New Zealand.....	3,365	1,036	19,301	11,666	3,751	766	434	627
Individuals.....	2,832	463	4,084	328	1,048	551	434	319
Corporations.....	150	174	4,156	2,999	383	173	-	(²)

Footnotes at end of table.

Foreign Recipients of U.S. Income, 1991

Table 2.--Forms 1042S: Number of Returns, U.S. Tax Withheld, and U.S.-Source Income, by Principal Types of Income, Selected Recipient Types, and Country of Recipient--Continued

(Money amounts are in thousands of dollars)

Selected country or geographic area and selected recipient type	Number of Forms 1042S	U.S. tax withheld	Total U.S.-source income	Principal types of U.S.-source income				
				Interest	Dividends	Rents and royalties	Social security and railroad retirement payments	Personal services income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Nigeria.....	1,007	682	58,962	55,422	1,396	17	11	138
Individuals.....	927	325	2,718	378	200	16	11	135
Corporations.....	27	346	53,218	52,065	1,152	-	-	-
Norway.....	7,228	3,166	107,889	58,292	6,295	2,520	12,671	9,934
Individuals.....	6,519	2,201	25,792	9,149	964	205	12,671	1,229
Corporations.....	324	740	70,247	46,116	3,894	2,247	-	8,469
Panama.....	8,670	35,426	304,140	216,793	50,372	20,827	1,013	461
Individuals.....	2,951	1,867	17,886	6,554	4,569	11	1,013	256
Corporations.....	4,236	22,508	225,382	188,059	28,155	1,679	-	161
Philippines.....	24,531	11,010	89,656	10,321	4,744	96	65,592	2,441
Individuals.....	23,882	10,829	77,962	2,505	2,330	94	65,592	1,376
Corporations.....	147	79	1,624	1,114	157	-	-	(²)
Portugal.....	8,550	4,126	121,897	94,602	1,243	27	24,540	506
Individuals.....	8,266	3,999	27,554	805	883	12	24,540	399
Corporations.....	131	62	12,567	12,312	189	4	-	-
Puerto Rico.....	6,694	474	102,178	100,742	1,151	40	20	71
Individuals.....	5,932	200	1,038	250	599	26	20	16
Corporations.....	325	200	91,873	91,366	488	13	-	6
Saudi Arabia.....	6,080	20,924	373,667	229,518	139,237	401	17	3,242
Individuals.....	4,758	1,556	12,671	7,715	3,315	381	17	222
Corporations.....	589	4,629	126,349	91,453	34,407	20	-	279
Singapore.....	9,782	3,750	561,189	477,448	78,629	70	126	1,242
Individuals.....	8,556	935	7,512	2,959	2,409	70	126	210
Corporations.....	462	2,441	143,953	140,130	1,779	-	-	163
South Africa.....	3,516	1,663	12,415	1,136	1,136	341	592	1,211
Individuals.....	3,168	1,243	10,560	739	763	153	592	434
Corporations.....	54	147	706	265	246	78	-	50
South Korea.....	4,395	1,543	184,063	158,133	4,969	1,046	120	8,588
Individuals.....	4,053	595	17,511	681	406	29	120	8,194
Corporations.....	168	900	69,636	61,507	4,280	622	-	29
Spain.....	11,590	10,085	509,810	381,507	16,577	3,402	15,145	3,750
Individuals.....	10,329	3,726	28,665	4,177	3,553	235	15,145	1,447
Corporations.....	482	5,092	111,724	94,065	8,794	1,374	-	1,044
Sweden.....	8,486	13,777	633,941	423,150	92,857	42,142	10,577	25,653
Individuals.....	7,524	3,905	35,065	1,991	1,996	595	10,577	16,921
Corporations.....	438	9,141	311,677	138,928	88,253	40,740	-	7,314
Switzerland.....	24,850	135,546	3,535,322	1,846,339	1,130,893	353,290	5,600	28,937
Individuals.....	14,171	7,260	108,184	53,371	32,410	4,523	5,600	5,069
Corporations.....	6,201	90,056	2,950,013	1,577,275	850,727	342,150	-	21,478
Taiwan.....	8,591	3,450	247,000	230,044	7,644	251	133	2,566
Individuals.....	7,523	2,375	20,430	6,439	5,323	243	133	2,253
Corporations.....	257	750	221,914	220,344	322,446	8	-	11
Thailand.....	1,927	569	20,045	15,227	638	66	416	616
Individuals.....	1,768	517	5,772	1,606	518	66	416	488
Corporations.....	32	15	1,119	735	6	-	-	-
Turks and Caicos Islands.....	270	1,348	10,977	6,401	4,463	4	32	-
Individuals.....	43	74	340	37	198	-	32	-
Corporations.....	150	1,253	10,088	5,896	4,189	-	-	-
United Arab Emirates.....	1,409	571	406,951	144,723	258,691	(²)	-	4
Individuals.....	1,224	231	4,818	433	865	(²)	-	3
Corporations.....	50	306	40,668	40,108	543	-	-	-
United Kingdom.....	109,877	333,563	13,677,374	7,750,480	4,062,775	976,607	48,107	129,292
Individuals.....	85,071	12,656	409,541	208,981	48,781	42,407	48,107	31,545
Corporations.....	11,311	243,899	10,269,326	5,455,800	3,289,839	877,454	-	78,663
Venezuela.....	8,927	3,201	47,428	36,609	5,667	623	1,313	947
Individuals.....	7,434	2,318	28,120	19,819	4,206	387	1,313	399
Corporations.....	509	373	10,471	9,514	729	53	-	-

¹Excludes small amount of U.S. tax withheld by foreign governments and withholding agents.

²Less than \$500.